

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Global Expedited Package Services Contracts  
Non-Published Rates

Docket No. MC2015-55

Competitive Product Prices  
Global Expedited Package Services Contracts  
Non-Published Rates 5 (MC2015-55)

Docket No. CP2015-83

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE REQUEST TO ADD GLOBAL EXPEDITED PACKAGE  
SERVICES—NON-PUBLISHED RATES (GEPS—NPR 7)  
TO THE COMPETITIVE PRODUCT LIST

(June 29, 2015)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 2549.<sup>1</sup> In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service request to add Global Expedited Package Services—Non-Published Rates Contract 7 (GEPS—NPR 7) to the competitive product list.<sup>2</sup>

II. BACKGROUND

The GEPS—NPR 1 and 2 products offered incentive pricing to small and medium-sized business mailers that “are willing to enter a contractual commitment to

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<sup>1</sup> Notice and Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 5 to the Competitive Product List, June 22, 2015 (Order No. 2549).

<sup>2</sup> Request of the United States Postal Service to Add Global Expedited Package Services—Non-Published Rates 7 (GEPS—NPR 7) to the Competitive Products List and Notice of Filing GEPS—NPR 7 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, June 19, 2015 (Request).

minimum levels of revenue from use of Priority Mail Express International (PMEI) and Priority Mail International (PMI) products”. Request at 5. Beginning with the GEPS—NPR 3 product, incentive pricing was offered for Global Express Guaranteed (GXG), as well as PMEI and PMI. *Id.* In accordance with the section 2510.8 of the current Mail Classification Schedule (MCS), to qualify for GEPS—NPR, mailers “must be capable, on an annualized basis, of paying at least \$200,000 in GXG, PMEI, and PMI postage to the Postal Service”. *Id.* Attachment 2B. Pursuant to such contracts, mailers must also commit to provide a varying minimum level of postage from the use of GXG, PMEI and PMI on an annualized basis. *Id.*

The Request follows from the Postal Service’s decision to revise the Management Analysis, financial model, and model contract for GEPS—NPR. Request at 6. The Postal Service states that “the major differences between the GEPS—NPR 7 and GEPS—NPR 6 are in the Management Analysis, the financial model, and the rates themselves.” *Id.* The Postal Service also maintains that the GEPS—NPR 7 model contract is “almost identical” to the GEPS—NPR 6 model contract.<sup>3</sup> *Id.* Based upon the documentation presented, the Postal Service therefore asks that the Commission add the GEPS—NPR 7 to the GEPS—NPR product grouping in the competitive product list, to reflect the change in non-generally applicable rates for this competitive product. *Id.* at 8.

## COMMENTS

The Public Representative has reviewed the Postal Service’s Request, the Statement of Supporting Justification and the revised version of section 2510.8 of the MCS, as well as the GEPS—NPR 7 Model Contract, the Management Analysis and the financial workpapers (model) filed under seal. Based upon that review, the Public Representative concludes that the GEPS—NPR 7 product should be added to the GEPS—NPR product grouping in the competitive product list. In addition, this initial

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<sup>3</sup> The differences include “an additional Paragraph 33 concerning Conditions Precedent, which caused subsequent articles to be renumbered.” *Id.* The Commission approved the GEPS—NPR 6 contract in Order No. 2513. See Order Approving Changes in Prices and Model Contract and Adding Redesignated Global Expedited Package Services —Non-Published Rates 6 to the Competitive Product List, May 27, 2015 (Order No. 2513).

review suggests that the discount prices should generate sufficient revenues to cover costs and satisfy the requirements of 39 U.S.C. § 3633.

39 U.S.C. § 3642(b). The applicable criteria of 39 U.S.C. § 3642(b) are whether the proposed product classification qualifies as market dominant or competitive; is excluded from the postal monopoly; and reflects certain market considerations. These considerations relate to the impact on private enterprises engaged in delivery of the product, the views of those who use the product, and the likely impact on small business concerns.

The Postal Service states that the GEPS—NPR 7 product classification does not qualify as market dominant. 39 U.S.C. § 3642(b)(1). *Id.* Attachment 3 at 3. The Postal Service also maintains that the GEPS—NPR 7 product is not subject to the postal monopoly. 39 U.S.C. § 3642(b)(2). In this regard, the Postal Service states that the qualifying mail for GEPS—NPR 7 contracts, which consists primarily of merchandise shipped via GXG, PMEI, and PMI, falls outside the scope of the Private Express Statutes. *Id.* at 4. The Postal Service also makes a number of assertions that address the additional market considerations identified in section 3642(b)(3). *Id.* at 4-6. After reviewing the Postal Service's analysis, the Public Representative agrees that the criteria of 39 U.S.C. § 3642(b) have been met to justify adding the GEPS—NPR 7 product to competitive product list.<sup>4</sup>

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that competitive products collectively contribute an appropriate share of the

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<sup>4</sup> While reviewing the provided documents, the Public Representative has noticed an inconsistency. The Postal Service's Request references a new "MC" docket. It appears that the Postal Service tries to follow the Commission guidance provided in Order No 2513 that stated: "[n]otice of changes to a model contract that is not a complete replacement for a previous version is to be filed as a new product in an "MC" docket and in a related "CP" docket". Order No. 2513 at 8. However, in the current proceedings, "Non-Published Rates 5" (which is a part of the title of the docket) is associated with Docket No. MC2015-55, while in both GEPS—NPR 6 and GEPS—NPR 5 contracts it was associated with Docket No. MC2015-23. *Compare* Request at 1 *with* Order No. 2513 at 1. *See also* Order Adding Global Expedited Package Services-Non-Published Rates Contract 5 (GEPS-NPR 5) to the Competitive Product List, January 13, 2015 at 1.

institutional costs of the Postal Service. Based upon a review of the financial model filed under seal with the Postal Service's Request, it appears the discounted prices derived from the methodology presented in the financial model should generate sufficient revenues to permit the GEPS—NPR 7 product to cover costs and thereby satisfy section 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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